Food Inflation in India: Challenges and Policy Measures

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ABSTRACT

Food inflation has become one of the most important economic concerns in India due to its direct impact on household welfare, food security and economic stability. Food inflation refers to a persistent increase in the prices of food commodities such as cereals, pulses, vegetables, fruits, milk, eggs and edible oils. Since a large proportion of Indian households spend a significant share of their income on food, rising food prices adversely affect purchasing power and nutritional security. This article discusses the recent food inflation scenario in India, major causes of rising food prices, its impacts on society and the economy and various policy measures adopted to control food inflation.

INTRODUCTION

Inflation refers to a sustained increase in the general price level of goods and services over time. Among different forms of inflation, food inflation is particularly important in India because food accounts for a substantial share of household expenditure. Food inflation is defined as a continuous rise in the prices of food and food products, leading to increased expenditure on food consumption.

In India, food inflation significantly influences overall inflation and household welfare. Poor and vulnerable households are the most affected because they spend a larger proportion of their income on food. Therefore, understanding the causes and consequences of food inflation is essential for ensuring food security and economic stability.

Food Inflation Scenario in India

Food inflation in India has shown considerable fluctuations over the past decade. According to the Consumer Food Price Index (CFPI), food inflation increased from 6.4 per cent in 2014 to 9.1 per cent in 2020. It moderated in subsequent years but again rose to 8.7 per cent in 2023 due to supply disruptions and rising food prices. During 2025–26, food inflation declined significantly and remained around 3 per cent because of improved agricultural production, better supply management and supportive government interventions.

Table 1. Consumer Food Price Inflation in India (Year wise)

Year	CFPI (%)
2020	9.1
2021	3.7
2022	7.0
2023	8.7
2024	7.2
2025	2.5-3.0
2026 (Jan–Feb)	2.8

Source: Ministry of Statistics and Programme Implementation (MoSPI), Government of India.

Table 2. Recent Trends in CPI and Food Inflation (CFPI) in India

Month	CPI (%)	Food Inflation (CFPI %)
Oct-2024	5.48	10.87
Nov-2024	5.22	9.04
Dec-2024	4.26	8.39
Jan-2025	3.61	5.97
Feb-2025	2.69	3.75
Mar-2025	2.78	3.54
Apr-2025	3.16	2.82
May-2025	2.82	2.10
Jun-2025	2.18	0.32
Jul-2025	1.51	-1.76
Aug-2025	2.07	-0.69
Sep-2025	1.44	-2.28
Oct-2025	0.25	-5.02
Jan-2026	2.74	2.13
Feb-2026	3.21	3.47

Source: Ministry of Statistics and Programme Implementation (MoSPI), Government of India (2026).

The data indicate that food inflation in India declined substantially during 2025 due to improved agricultural production, better supply management and favourable market conditions. Food inflation even turned negative during July–October 2025. However, it increased again to 3.47 per cent in February 2026, highlighting the continued sensitivity of food prices to market conditions and supply-side factors.

Major Causes of Food Inflation

Weather and Climate Variability: Droughts, floods, heat waves and irregular monsoon rainfall adversely affect agricultural production and create supply shortages.

Rising Input Costs: Increased prices of fertilizers, seeds, labour, fuel and transportation raise production and marketing costs.

Demand-Supply Imbalance: Rapid population growth, urbanization and changing dietary habits have increased demand for food products, particularly protein-rich foods, often outpacing supply growth.

Global Factors: International commodity prices, trade disruptions and geopolitical conflicts such as the Russia–Ukraine war influence domestic food prices.

Inadequate Storage and Infrastructure: Poor storage facilities, post-harvest losses and weak supply chains contribute to food price volatility.

Impact of Food Inflation

Food inflation affects both households and the broader economy.

Poor households experience a decline in purchasing power as a larger share of their income is spent on food. Rising food prices also reduce access to nutritious foods such as fruits, vegetables, milk and pulses, negatively affecting health and nutrition.

Food inflation contributes significantly to overall inflation and may create challenges for economic growth. It can also increase poverty and income inequality because vulnerable groups are disproportionately affected by rising food prices.

Government Measures to Control Food Inflation

The Government of India has implemented several measures to stabilize food prices and ensure food security:

- Maintenance of buffer stocks of wheat, rice and pulses.
- Distribution of subsidized food grains through the Public Distribution System (PDS).
- Regulation of imports and exports of essential food commodities.
- Promotion of cold storage, warehousing and transportation infrastructure.
- Adoption of improved agricultural technologies and climate-resilient farming practices.
- Strengthening market information systems and digital platforms such as e-NAM.

These interventions have helped improve food availability and reduce excessive fluctuations in food prices.

Case Study–1: Food Inflation in India – Causes and Consequences

Bhattacharya and Gupta (2015) analyzed the major causes of food inflation in India and found that rising agricultural wages, increasing Minimum Support Prices (MSP), fuel inflation and demand-supply mismatch were the key drivers of food inflation. The study reported that a widening demand-supply gap significantly increases food prices and adversely affects household welfare. The authors emphasized the need for improving agricultural productivity, strengthening supply chains and reducing production costs to ensure long-term food price stability.

Case Study–2: Major Determinants of Food Inflation in India

Ahmed and Singla (2014) examined the determinants of food inflation in India and observed that oil prices, world food prices, rainfall, money supply and exchange rate fluctuations significantly influence domestic food prices. The study concluded that both domestic and global factors contribute to food inflation and recommended coordinated agricultural, trade and monetary policies to stabilize food prices and improve food security.

CONCLUSION

Food inflation remains a critical challenge for India due to its direct impact on food security, nutrition and household welfare. Although food inflation has moderated during recent years, factors such as climate change, rising production costs and global market uncertainties continue to pose risks. Strengthening agricultural infrastructure, improving supply chain efficiency and implementing timely policy interventions will be essential for maintaining food price stability and protecting consumers. A balanced approach that safeguards both farmers' interests and consumers' welfare is necessary for achieving sustainable economic development.

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